Looking for a Safe Investment? Consider Gibson Energy Stock

Description

As both the market and economic environments have worsened over the last year, naturally, there has been an increase in demand from investors to buy high-quality and reliable stocks that they can have the confidence to hold for years. And while there are certainly many of those stocks, such as utilities and residential real estate investment trusts, **Gibson Energy** (TSX:GEI) is another stock that investors can consider.

Gibson is a stock that's gone through a significant transition over the last decade. Back in 2014, just 30% of its segment profit came from its infrastructure assets. By 2017, 65% of its segment profit was generated by its infrastructure. And now, as of 2021, the most recent year that we have full numbers for, roughly 90% of its segment profit came from its infrastructure segment.

Gibson is a midstream company primarily focused on crude oil infrastructure that operates with two segments: infrastructure and marketing.

The fact that it's transitioned its business so that 90% of its segment profit comes from its infrastructure division helps make the stock much more robust and an ideal investment both for this environment, but also that you can own for the long haul.

Altogether the stock has roughly 14 million barrels of storage. It also has roughly 500 km of crude pipelines. If you're looking for an ideal stock to buy today, Gibson Energy is certainly worth consideration.

Gibson Energy stock offers an attractive mix of resiliency and long-term growth potential

After years of transitioning its business and becoming much more robust, Gibson Energy stock is now shifting its focus to its long-term growth potential.

The company is spending money in a variety of ways to both improve its core business but also create value for shareholders.

That's why, in addition to spending between $100 and $125 million on capital expenditures in 2022, Gibson also allocated up to $150 million for share buybacks last year. And that's with the stock already returning plenty of cash to investors through its dividend, which currently has a yield of more than 6.2%.

Furthermore, not only does it pay an attractive dividend thanks to the growth of its operations lately, but it's also increased that dividend in each of the last three years and could potentially increase it again next week when it reports its full-year earnings for 2022.

Since 2017, Gibson Energy stock has managed to increase its distributable cash flow at a compound annual growth rate of 13%. So, if it can continue this impressive performance, many investors will expect to see a bump in the dividend.

But while Gibson Energy stock has high-quality business operations and has been performing well in recent years, the stock will only be worth an investment today if it trades at an attractive valuation.

Does Gibson offer investors value training below $24 a share?

With Gibson Energy trading at just under $24 a share, the stock seems to be priced pretty fairly. It's certainly not overvalued, but it also doesn't offer a significant discount either, which is understandable considering it's a reliable stock and the market environment is so uncertain.

With analysts expecting Gibson's earnings per share to fall by roughly 5% in 2023, it's currently trading at a forward price-to-earnings ratio of 16.3 times. That's a decent valuation for a robust business such as Gibson. It's also well below its three-year average of 21.3 times.

Furthermore, the stock currently trades at a forward price to adjusted funds from operations (AFFO) ratio of just 9.8 times, which is also below its three-year average of 10.9 times.

So, if you're looking to increase your energy exposure or just want to add a reliable stock to your portfolio, Gibson is currently trading slightly below value and offers an impressive dividend yield of more than 6.2%.

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